North Dakota Office of State Tax Commissioner

Property Tax Newsletter

News and developments

A publication of the Property Tax Division

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Tax Commissioner

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State Board of Equalization Meets in August

The North Dakota State Board of Equalization (Board) will hold its statutory meetings on the first and second Tuesday in August to review assessments of both centrally assessed and locally assessed property.

The Board will meet in the Tax Commissioner's conference room on Tuesday, August 7, 2007, at 3:00 p.m. to assess property it is required by law to assess. Property subject to assessment by the Board includes property used by gas, electric, pipeline, air transportation, and railroad companies in their businesses. The Board also assesses the telecommunication gross receipts tax in lieu of ad valorem taxes on property of telecommunications carriers.

The Board will meet in the Pioneer Room on the ground floor of the Judicial Wing of the State Capitol on Tuesday, August 14, 2007, at 9:30 a.m. to review and equalize locally assessed residential and commercial property and agricultural land. The Board will determine whether 2007 residential and commercial assessments are uniform and equitable throughout the state, and whether the average agricultural land value for each county corresponds with the average value per acre for each county certified by North Dakota State University (NDSU). The Board will allow plus or minus five percent tolerance for the 2007 assessments.

Individuals who feel the 2007 assessment of their property is inequitable or unfair may appeal to the Board. However, the State Board of Equalization does not have authority to reduce any assessment unless the owner first appealed the assessment to both the local and county boards of equalization. The Tax Commissioner recommends individuals who wish to appeal their assessment to the State Board of Equalization notify the Board, in writing, of their intent prior to the August 14 meeting.

Personnel in the Property Tax Division can answer any questions regarding either meeting of the State Board of Equalization.

Inside this issue:

Implementation of 2007 Legislation

The applications for property tax exemption and homestead credit have been updated to reflect 2007 legislative changes and are available on the Tax Commissioner's web site. The Property Tax Division will notify assessment officials as updated materials become available.

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One of the most time-consuming and difficult tasks associated with 2007 legislation is implementing House Bill 1303. HB 1303 requires all county directors of tax equalization to use soil type and soil classification data to determine the relative values of agricultural lands by the 2010 assessment. Tax directors must apply the following considerations in descending order of significance for determining assessments: 1. soil type and soil classification data from detailed or general soils surveys; 2. schedule of modifiers that must be used to adjust assessments as approved by the state supervisor of assessments; 3. actual use of the property for cropland or noncropland purposes.

The Tax Commissioner's staff has developed a plan to assist each county and the Tax Commissioner in determining each county's level of compliance with HB 1303 requirements. Counties found not to be in compliance will receive directions and assistance in meeting the requirements.

If a county is not in compliance by 2010, the State Treasurer must withhold 5 percent of that county's allocation from the state aid distribution fund. The amount withheld from the allocation must be withheld entirely from the county's portion of the allocation.

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Some of the expenses counties may incur if they are not already using the detailed soils survey for agricultural land valuation will be acquisition of GIS capabilities, digitizing, and software. The Tax Commissioner recommends that counties not rush into signing contracts with various vendors. There may be other options, such as partnering with other counties to work with a vendor that can provide the needed services. A valuable resource is the North Dakota Association of Counties, which can provide technical assistance to counties. Property Tax Division staff will continue to provide assistance and educational instruction to assessment personnel.

Administration of Disabled Veterans' Property Tax Exemptions

Senate Bill 2172 amended subsection 20 of N.D.C.C. § 57-02-08 to broaden the property tax exemptions available to paraplegic disabled veterans, veterans who have been awarded specially adapted housing by the veterans' administration, and disabled veterans with a service-connected disability of 50 percent or greater. The maximum true and full value of fixtures, buildings, and improvements of a disabled veteran's homestead that may be exempted was increased to $120,000. The former income limit on disabled veterans and unremarried surviving spouses was repealed. An unremarried surviving spouse remains eligible for the exemption.

Paraplegic disabled veterans and veterans who have been awarded specially adapted housing still qualify for 100 percent exemption of fixtures, buildings, and improvements of the veteran's homestead up to the new maximum true and full value of $120,000. If the true and full value is equal to or greater than $120,000, only $120,000 may be exempted. If the true and full value is less than $120,000, only the actual true and full value may be exempted.

Disabled veterans with a service-connected disability of 50 percent or more are eligible for an exemption equal to the first $120,000 of true and full value of fixtures, buildings, and improvements of the veteran's homestead multiplied by the percentage of the disabled veteran's certified rated service-connected disability. If the true and full value is equal to or greater than $120,000, $120,000 is multiplied by the veteran's disability percentage to determine the value that may be exempted. If the true and full value is less than $120,000, the actual true and full value (not $120,000) is multiplied by the veteran's disability percentage to determine the value that may be exempted. Examples:

True and full value of improvements	$180,000	
Value subject to exemption	120,000	
Certified rated service-connected disability	70%	
Value to be exempted	$84,000	(120,000 x .70)
Improvements that remain taxable	$96,000	(180,000 – 84,000)
	+ Land value	
	Value subject to tax	

True and full value of improvements	$ 55,000	
Value subject to exemption	55,000	
Certified rated service-connected disability	80%	
Value to be exempted	$ 44,000	(55,000 x .80)
Improvements that remain taxable	$ 11,000	(55,000 – 44,000)
	+ Land value	
	Value subject to tax	

After the initial filing of a claim and qualification for exemption, the exemption is automatically renewed each following year, but the veteran or veteran's unremarried surviving spouse must refile if that person sells the property or no longer claims it as a primary place of residence or if the veteran dies or receives a change in the percentage of the certified rated service-connected disability.

"Certified rated service-connected disability" is the percentage of disability shown on a document supplied by the Department of Veterans Affairs as a single disability percentage or as a combined evaluation. The document may show several percentages for various conditions that add up to the combined evaluation, or it may show only the total percentage. A document may show a certified disability percentage, and state that the veteran is receiving benefits at a greater percentage due to other aggravating factors. The greater percentage is not the certified rated service-connected disability and should not be used to calculate the property tax exemption.

"Certified rated service-connected disability" is the percentage of disability shown on a document supplied by the Department of Veterans Affairs as a single disability percentage or as a combined evaluation.

Senate Bill 2172 made no change to subdivision c of N.D.C.C. § 57-02-08(20), which provides an exemption for permanently and totally disabled persons permanently confined to a wheelchair. The maximum exemption allowed is $80,000 value of fixtures, buildings, and improvements, because the value of a "homestead" as defined in N.D.C.C. § 47-18-01 is limited to $80,000.

Senate Bill 2172 provides that exemptions under subsection 20 of N.D.C.C. § 57-02-08 do not apply within a county in which a resolution approved by the board of county commissioners is in effect disallowing the exemptions for the taxable year.

The State does not reimburse counties for exemptions granted under N.D.C.C. § 57-02-08(20).

Changes made by SB 2172 are effective for taxable years beginning with 2007. Any abatements requested for 2005 or 2006 are subject to the provisions of law that were in effect on February 1 of the year for which application for abatement is made, including value and income limits.

Senate Bill 2172 applies to qualifying disabled veteran-owners of mobile homes beginning with taxable year 2008. The 2008 mobile home tax is due and payable at the same time the 2007 property tax is due and payable. Any abatements requested for 2006 or 2007 mobile home taxes are subject to the provisions of law that were in effect for 2005 and 2006 property taxes. This policy is consistent with administration of the homestead credit for senior citizens and permanently and totally disabled persons.

Reduced Period of Time Before Foreclosure of Tax Lien

House Bill 1332, enacted by the 2007 Legislature, shortens the length of time property taxes may remain delinquent before the county auditor must foreclose on the tax lien and issue a tax deed to the county. Beginning with taxable year 2007, foreclosure of tax lien will occur unless delinquent taxes and special assessments with penalties, interest, and costs are paid by October 1 of the second year following the year in which the taxes became delinquent. For 2007 property taxes, that means the tax lien will be foreclosed if the taxes, penalty, interest, and costs are not paid by October 1, 2010.

House Bill 1332 provides for waiver of penalties and interest, at the discretion of the board of county commissioners, effective through October 1, 2011. The board of county commissioners may establish a policy to waive all or part of penalties and interest on delinquent real estate taxes if the board believes the reduced period for foreclosure of tax liens under HB 1332 creates a hardship for taxpayers. The board must apply the policy uniformly to all taxpayers.

For 2007 property taxes, that means the tax lien will be foreclosed if the taxes, penalty, interest, and costs are not paid by October 1, 2010.

Property tax proceedings relating to property taxes due or delinquent for any taxable year prior to 2007 are subject to provisions of law that were in effect on December 31, 2006.

Changes in Assessments Affect Partially Exempt Property

Assessments of property that qualify for partial property tax exemption are affected by a change in assessments ordered by any board of equalization.

Examples of property qualifying for partial property tax exemption include but are not limited to residences qualifying for the single family residence exemption according to N.D.C.C. § 57-02-08(35), and new or expanding businesses qualifying for exemption according to N.D.C.C. § 40-57.1-03.

When a property qualifies for a partial exemption, the remaining valuation is subject to change by an order of any of the boards of equalization (township, city, county or state). For example, a residence is eligible for the single family residence exemption according to N.D.C.C. § 57-02-08(35). The maximum building true and full value that may be exempt is $75,000. The original true and full value of the property before exemption is $114,000 (land $19,000, building $95,000). The assessment finalized by the city board of equalization, including $75,000 exemption, follows:

Land:	$19,000	
Bldg.:	$20,000	($75,000 T & F exempt)
Total:	$39,000	

If the county board of equalization orders a 5 percent increase in residential property values, the $19,000 land value and the $20,000 remaining building value must be increased accordingly. The valuation adjusted after application of the 5 percent increase follows:

Land:	$19,950	
Bldg.:	$21,000	($75,000 T & F exempt)
Total:	$40,950	

There is no statutory authority for assessment officials or governing bodies to leave assessments of partially exempt property at the values placed on them prior to an order of change authorized by a board of equalization.

Commercial Appraisal Course Scheduled For Fall 2007

Course 203-A "Commercial Property Appraisal" will be conducted October 29 through November 2, 2007, in Bismarck.

The course will cover the cost, sales comparison, and income appraisal methods to estimate market value of commercial property, and their use in mass appraisal. The schedule includes a tour of various types of commercial property. Robert P. Ehler, ASA, ICA, and vice president of appraisal operations for Vanguard Appraisals, Inc., will be the instructor for the course.

The State Supervisor of Assessments will allow 30 hours of commercial appraisal education credit for individuals who attend the instruction and successfully complete the exam. Individuals who audit the instruction will receive 27 hours of education credit.

Final costs have not yet been determined. However, the registration fee for assessment officials may be $125-$150. Course and registration material will be available by early September.

Request for Notification of Changes

The Property Tax Division maintains lists of names, telephone numbers, mailing addresses, and e-mail addresses for class I city assessors, county directors of tax equalization, auditors, treasurers, recorders, and commissioners. Whenever incumbents' names, addresses, e-mail addresses, or phone numbers change, please notify Judy Brosz at 1.800.638.2901, option 5, or jbrosz@nd.gov.

Course notification and registration information are sent to assessment officials and other interested individuals six to eight weeks prior to a course offering.

Education Calendar

The Office of ND State Tax Commissioner will offer the following courses through November 2009:

Course 203-A	Commercial Property Appraisal	Oct. 29-Nov. 2, 2007
Course 202	Agricultural Land Valuation	May 12-16, 2008
Course 102	Principles & Theory of Value	Nov. 10-14, 2008
Course 303	Teaching Appraisal Techniques	May 11-15, 2009
Course 201	Residential Property Appraisal	Nov. 9-13, 2009

This schedule is available on the Tax Department web site under Property Publications.

Course notification and registration information are sent to assessment officials and other interested individuals six to eight weeks prior to a course offering. Anyone wanting to receive course notification should contact the Property Tax Division.

Electronic Newsletter

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